

## Message Text

UNCLASSIFIED

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 EPG-02 SIL-01 OMB-01 PA-02 PRS-01

/069 W

-----070110Z 089113 /73

R 062150Z JUN 77

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 5109

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY BRASILIA

AMEMBASSY LIMA

UNCLAS SANTIAGO 4637

E. O. 11652: N/A

TAGS: ECON, EFIN, CI

SUBJECT: INFLATION IN MAY

1. AN INCREASE OF 3.8 PERCENT IN CONSUMER PRICES DURING MAY WAS THE RESULT OF THE LATEST PRICE SURVEY CONDUCTED BY THE NATIONAL INSTITUTE OF STATISTICS. THIS IS THE LOWEST MONTHLY INFLATION FIGURE REGISTERED DURING THE PAST SIX YEARS. IF ANNUALIZED, IT WOULD BE EQUIVALENT TO A YEARLY RATE OF 57 PERCENT.

2. INFLATION BY MAJOR COMPONENTS WAS AS FOLLOWS: FOOD 2.7 PERCENT; HOUSING 5.1 PERCENT; CLOTHING 5.4 PERCENT; OTHERS 4.4 PERCENT.

3. COMMENT. THE GOC IS DETERMINED TO REDUCE INFLATION TO LESS THAN 100 PERCENT. THE 29.3 PERCENT INCREASE THUS FAR IN 1977, IF ANNUALIZED, WOULD BE 85 PERCENT.

4. IT NOW APPEARS LIKELY, HOWEVER, THAT THIS 85 PERCENT ANNUALIZED FIGURE NOTWITHSTANDING, THE INFLATION RATE FOR THE ENTIRE YEAR COULD BE QUITE A BIT LOWER. TO ILLUSTRATE THIS: IT WILL BE RECALLED THAT THE TWELVE-MONTH RATE, JUNE 1975 THROUGH UNCLASSIFIED

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MAY 1976, WAS 232 PERCENT. FROM JUNE 1976 TO MAY 1977, THE TWELVE-MONTH RATE WAS 109 PERCENT. IN ORDER TO OBTAIN AN INDICATION OF WHERE THE RATE MIGHT BE BY DECEMBER 1977, WE PERFORMED A LINEAR REGRESSION ON THESE TWELVE-MONTHS RATES. A TREND LINE BEGINNING IN JUNE 1976 AND EXTENDED BEYOND MAY 1977 SUGGESTS THAT, BY DECEMBER 1977, THE INFLATION RATE FOR THE YEAR COULD BE AS LOW AS 53 PERCENT. UNLESS, THEREFORE, MAJOR CHANGES IN THE ECONOMY

OCCURE BEFORE DECEMBER, A 60-70 PERCENT RANGE WOULD NOT BE  
AN UNREASONABLE PROGNOSIS AT THIS POINT.  
BOYATT

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009